

103D CONGRESS
1ST SESSION

H. R. 461

To amend the Internal Revenue Code of 1986 to allow accelerated depreciation for equipment used to manufacture advanced materials or to develop advanced technologies, to reduce capital gains taxes, and to impose a minimum tax on foreign and foreign-owned corporations operating in the United States.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1993

Mr. HUNTER introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow accelerated depreciation for equipment used to manufacture advanced materials or to develop advanced technologies, to reduce capital gains taxes, and to impose a minimum tax on foreign and foreign-owned corporations operating in the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. 3-YEAR DEPRECIABLE LIFE FOR SEMICONDUCTOR**
2 **TOR MANUFACTURING EQUIPMENT AND**
3 **EQUIPMENT USED TO MANUFACTURE AD-**
4 **VANCED MATERIALS OR TO DEVELOP AD-**
5 **VANCED TECHNOLOGIES.**

6 (a) IN GENERAL.—Subparagraph (A) of section
7 168(e)(3) of the Internal Revenue Code of 1986 (relating
8 to classification of property) is amended by striking “and”
9 at the end of clause (i), by striking the period at the end
10 of clause (ii) and inserting a comma, and by adding at
11 the end thereof the following:

12 “(iii) any semiconductor manufactur-
13 ing equipment, and

14 “(iv) any equipment used to manufac-
15 ture advanced materials or to develop ad-
16 vanced technologies.

17 Clause (iv) shall not apply if the taxpayer elects
18 not to apply such clause. Such an election shall
19 apply to the taxable year for which made and
20 all subsequent taxable years and, once made,
21 shall be irrevocable.”

22 (b) ADVANCED MATERIALS AND TECHNOLOGIES.—
23 Subsection (e) of section 168 of such Code (relating to
24 classification of property) is amended by adding at the end
25 thereof the following new paragraph:

1 “(5) ADVANCED MATERIALS AND TECH-
2 NOLOGIES.—For purposes of paragraph (3)(A)(iv)—

3 “(A) IN GENERAL.—The determination of
4 whether any material is an advanced material
5 or whether any technology is an advanced tech-
6 nology shall be made as of the date the equip-
7 ment referred to in such paragraph is placed in
8 service.

9 “(B) INITIAL LIST OF ADVANCED MATE-
10 RIALS AND TECHNOLOGIES.—

11 “(i) IN GENERAL.—The term ‘ad-
12 vanced material’ and ‘advanced technology’
13 mean any material or technology listed in
14 clause (ii) and determined by the Secretary
15 to be an advanced material or technology.

16 “(ii) INITIAL LIST.—

17 Advanced structural materials

18 Electronic and photonic materials

19 Biotechnologies

20 Materials processing

21 Environmental technologies

22 Design and engineering tools

23 Commercialization and production systems

24 Advanced process equipment

25 Networks and communications

Powertrain

Propulsion

“(C) MODIFICATIONS TO LIST.—Materials and technologies may be added to or deleted from the list in subparagraph (B)(ii) based on recommendations of experts selected by the Secretary. Any deletion from such list shall not take effect before the date which is 5 years after the date the decision to make such deletion is published in the Federal Register.”

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 168(e)(3) of such Code is amended by striking clause (ii) and by redesignating the succeeding clauses accordingly.

(2) Subparagraph (B) of section 168(g)(3) of such Code is amended by striking the following:

“(B)(ii) 5”

and inserting in lieu thereof the following:

“(A)(iii)3

“(A)(iv)3.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to equipment placed in service after the date of the enactment of this Act.

1 **SEC. 2. REDUCTION IN INDIVIDUAL CAPITAL GAINS RATE.**

2 (a) GENERAL RULE.—Subsection (h) of section 1 of
3 the Internal Revenue Code of 1986 (relating to maximum
4 capital gains rate) is amended to read as follows:

5 “(h) MAXIMUM CAPITAL GAINS RATE.—

6 “(1) IN GENERAL.—If a taxpayer has a net
7 capital gain for any taxable year, then the tax im-
8 posed by this section shall not exceed the sum of—

9 “(A) a tax computed at the rates and in
10 the same manner as if this subsection had not
11 been enacted on the taxable income reduced by
12 the net capital gain, plus

13 “(B) a tax equal to the sum of—

14 “(i) 7.5 percent of so much of the net
15 capital gain as does not exceed—

16 “(I) the maximum amount of
17 taxable income to which the 15-per-
18 cent rate applies under the table ap-
19 plicable to the taxpayer, reduced by

20 “(II) the taxable income to which
21 subparagraph (A) applies, plus

22 “(ii) 15 percent of the net capital gain
23 in excess of the net capital gain to which
24 clause (i) applies.

25 “(2) TRANSITIONAL RULE.—In the case of a
26 taxable year which includes the date of the enact-

1 ment of this paragraph, the amount of the net cap-
2 ital gain for purposes of paragraph (1) shall not ex-
3 ceed the net capital gain determined by only taking
4 into account gains and losses properly taken into ac-
5 count for the portion of the taxable year after such
6 date.”

7 (b) TECHNICAL AMENDMENTS.—

8 (1) Paragraph (1) of section 170(e) of such
9 Code is amended by striking “the amount of gain”
10 in the material following subparagraph (B)(ii) and
11 inserting “13/28 (19/34 in the case of a corporation)
12 of the amount of gain”.

13 (2)(A) The second sentence of section
14 7518(g)(6)(A) of such Code is amended by strik-
15 ing “28 percent (34 percent in the case of a corpora-
16 tion)” and inserting “15 percent”.

17 (B) The second sentence of section
18 607(h)(6)(A) of the Merchant Marine Act, 1936, is
19 amended by striking “28 percent (34 percent in the
20 case of a corporation)” and inserting “15 percent”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to sales and exchanges occurring
23 after the date of the enactment of this Act in taxable years
24 ending after such date.

1 **SEC. 3. REDUCTION IN CORPORATE CAPITAL GAINS RATE.**

2 (a) GENERAL RULE.—Section 1201 of the Internal
3 Revenue Code of 1986 (relating to alternative tax for cor-
4 porations) is amended by redesignating subsection (b) as
5 subsection (c), and by striking subsection (a) and inserting
6 the following:

7 “(a) GENERAL RULE.—If for any taxable year a cor-
8 poration has a net capital gain, then, in lieu of the tax
9 imposed by section 11, 511, or 831(a) (whichever applies),
10 there is hereby imposed a tax (if such tax is less than
11 the tax imposed by such section) which shall consist of
12 the sum of—

13 “(1) a tax computed on the taxable income re-
14 duced by the net capital gain, at the same rates and
15 in the same manner as if this subsection had not
16 been enacted, plus

17 “(2) a tax of 15 percent of the net capital gain.

18 “(b) TRANSITIONAL RULE.—In the case of a taxable
19 year which includes the date of the enactment of this para-
20 graph, the amount of the net capital gain for purposes
21 of subsection (a) shall not exceed the net capital gain de-
22 termined by only taking into account gains and losses
23 properly taken into account for the portion of the taxable
24 year after such date.”

25 (b) TECHNICAL AMENDMENTS.—

1 (1) Clause (iii) of section 852(b)(3)(D) of such
 2 Code is amended by striking “66 percent” and in-
 3 serting “85 percent”.

4 (2) Paragraphs (1) and (2) of section 1445(e)
 5 of such Code are each amended by striking “34 per-
 6 cent” and inserting “15 percent”.

7 (c) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to sales and exchanges occurring
 9 after the date of the enactment of this Act in taxable years
 10 ending after such date.

11 **SEC. 4. REDUCTION OF MINIMUM TAX RATE ON CAPITAL**
 12 **GAINS.**

13 (a) IN GENERAL.—Subparagraph (A) of section
 14 55(b)(1) of the Internal Revenue Code of 1986 (relating
 15 to tentative minimum tax) is amended to read as follows:

16 “(A) the sum of—

17 “(i) 15 percent of the lesser of—

18 “(I) the net capital gain (deter-
 19 mined with the adjustments provided
 20 in this part and (to the extent appli-
 21 cable) the limitations of sections
 22 1(h)(2) and 1201(b)), or

23 “(II) so much of the alternative
 24 minimum taxable income for the tax-

1 able year as exceeds the exemption
2 amount, plus

3 “(ii) 20 percent (24 percent in the
4 case of a taxpayer other than a corpora-
5 tion) of the amount (if any) by which the
6 excess referred to in clause (i)(II) exceeds
7 the net capital gain (as so determined), re-
8 duced by”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to sales and exchanges occurring
11 after the date of the enactment of this Act in taxable years
12 ending after such date.

13 **SEC. 5. MINIMUM TAX ON FOREIGN AND FOREIGN-OWNED**
14 **CORPORATIONS.**

15 (a) IN GENERAL.—Subchapter A of chapter 1 of the
16 Internal Revenue Code of 1986 (relating to determination
17 of tax liability) is amended by adding at the end thereof
18 the following new part:

19 **“PART VIII—MINIMUM TAX ON CERTAIN FOREIGN**
20 **AND FOREIGN-OWNED CORPORATIONS**

“Sec. 59B. Minimum tax on certain foreign and foreign-owned
corporations.

21 **“SEC. 59B. MINIMUM TAX ON CERTAIN FOREIGN AND FOR-**
22 **EIGN-OWNED CORPORATIONS.**

23 “(a) IMPOSITION OF TAX.—In the case of a corpora-
24 tion to which this section applies, there is hereby imposed

1 (in addition to any other tax imposed by this subtitle) a
2 tax equal to the excess (if any) of—

3 “(1) 34 percent of the product of—

4 “(A) 5 percent, and

5 “(B) the gross receipts of the taxpayer
6 from the sale or leasing of property manufac-
7 tured by the taxpayer or by any foreign person
8 that is a related party of the taxpayer, over

9 “(2) the aggregate tax imposed under sections
10 11, 55, and 1201 for such year.

11 “(b) TAXPAYERS TO WHICH SECTION APPLIES.—

12 This section shall apply to a corporation for the taxable
13 year if such corporation is—

14 “(1) a domestic corporation which is 25-percent
15 foreign-owned, or

16 “(2) a foreign corporation engaged in a trade or
17 business within the United States.

18 “(c) DEFINITIONS.—For purposes of this section, the
19 term ‘25-percent foreign-owned’, ‘foreign person’, and ‘re-
20 lated party’ have the respective meanings given such terms
21 by section 6038A(c).”

22 (b) CLERICAL AMENDMENT.—The table of parts for
23 such subchapter A is amended by adding at the end there-
24 of the following new item:

“Part VIII. Minimum tax on certain foreign and foreign-owned
corporations.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1992.

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